

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1658 – SB 1805**

February 25, 2022

**SUMMARY OF BILL:** Authorizes any members of the Tennessee Consolidated Retirement Service (TCRS) who reach 25 years or more of consecutive service to obtain a COVID-19 essential employee service credit for one bonus hour of creditable service for each hour of creditable service worked at the member's worksite from March 12, 2020 to April 27, 2021. Requires the total essential employee service credit hours to not exceed three years. Waives the 25 years of consecutive service requirement for members who become disabled on the worksite, without negligence on the member's part or who die while in service.

**FISCAL IMPACT:**

**Increase State Expenditures – \$762,424,000/FY22-23  
\$2,087,008,400/FY23-24**

**Increase Federal Expenditures – \$192,269,100/FY22-23**

**Increase Local Expenditures – \$123,744,400/FY22-23\*  
\$1,391,338,900/FY23-24\*  
Up to \$5,486,400/FY22-23/Permissive  
Up to \$1,509,596,900/FY23-24/Permissive**

**Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$4,364,515,721.**

Assumptions:

*Impact relative to state employees:*

- Based on information from the Tennessee Consolidated Retirement System (TCRS), the total increase of liability to the pension system relative to eligible state employees is estimated to be \$769,076,482.
- Based on information provided by TCRS, the cost for state employees is to be paid during FY22-23.
- Retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds.
- The one-time increase in state expenditures in FY22-23 for state employees is estimated to be \$576,807,362 (\$769,076,482 x 75%).

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- The one-time increase in federal expenditures in FY22-23 for state employees is estimated to be \$192,269,120 ( $\$769,076,482 \times 25\%$ ).

*Impact relative to teachers:*

- Based on information from TCRS, the total increase of liability to the pension system relative to eligible teachers is estimated to be \$3,787,708,359.
- The cost for teachers by LEAs will be funded over a two-year period (FY22-23 and FY23-24).
- Based on time-value-of-money calculations using a 20-year amortization and a 6.75 percent interest rate for estimating the FY22-23 impact relative to eligible teachers, the first-year increase in expenditures is estimated to be \$309,360,992.
- The remaining liability to be paid in FY23-24 is estimated to be \$3,478,347,367 ( $\$3,787,708,359 - \$309,360,992$ ).
- Retirement benefits for retired teachers are funded 60 percent with state funds and 40 percent local government funds, all of which will be a mandatory increase in local government expenditures.
- A one-time increase in state expenditures in FY22-23 of \$185,616,595 ( $\$309,360,992 \times 60\%$ ).
- A one-time mandatory increase in local expenditures in FY22-23 of \$123,744,397 ( $\$309,360,992 \times 40\%$ ).
- A one-time increase in state expenditures for teachers in FY23-24 of \$2,087,008,420 ( $\$3,478,347,367 \times 60\%$ ).
- A one-time mandatory increase in local expenditures in FY23-24 of \$1,391,338,947 ( $\$3,478,347,367 \times 40\%$ ).
- The total one-time increase in state expenditures in FY22-23 is \$762,423,957 ( $\$576,807,362 + \$185,616,595$ ), and \$2,087,008,420 in FY23-24.

*Impact relative to local government:*

- Local governments may choose to adopt a resolution authorizing such additional benefits for local government employees.
- Any permissive increase in local government expenditures for the additional liability is dependent on the number of local governments adopting such resolution and the number of applicable employees within those local governments.
- The permissive increase in local government expenditures would be funded 100 percent by local government and the precise amount cannot be reasonably determined.
- Based on information from TCRS, the total increase of liability to local pension systems relative to eligible local employees is estimated to be \$1,515,083,344.
- The cost for local employees by local employers will be funded over a two-year period (FY22-23 and FY23-24).
- Based on time-value-of-money calculations using a 20-year amortization and a 6.75 percent interest rate for estimating the FY22-23 impact relative to eligible local employees, the first-year permissive increase in local expenditures is estimated to be up to \$5,486,423.
- The remaining permissive increase in local expenditures to be paid in FY23-24 is estimated to be up to \$1,509,596,921 ( $\$1,515,083,344 - \$5,486,423$ ).

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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